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DEPARTMENT OF STATE

# AIRGRAM

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A-70  
NO.

TO : Amembassy DJAKARTA

FROM : DEPARTMENT OF STATE

DATE: Nov 2 8 03 PM '62

SUBJECT :

REF : Your 360 **898.03/P-27**  
**898.55/119841**

You authorized open negotiations with GOI to further amend Title I, PL 480 Agreement of February 19, 1962 to add approximately 75,000 MT rice, export market value \$13.0 million (including ocean transportation) intended for procurement by March 1, 1963, and approximately 50,000 MT soybean oil, export market value \$15.6 million (including OT) for procurement FY 1963. CCC values including OT are rice \$16.2 million and soybean oil \$15.6 million. You should inform GOI that we found it necessary reduce rice offer to 75,000 MT in view present international situation, which makes it necessary maintain flexible position on critical commodities, including rice, but that we would be willing give consideration to supplying remaining 75,000 MT at later date, should situation change.

Memorandum of negotiations should show GOI understands second 50,000 MT rice provided for CY 1963 under original Agreement signed February 19, 1962 will not be available for PA before August 1, 1963. Thus, Indonesia will receive approximately 125,000 MT rice from new 1962 crop prior to March 1, 1963. Regarding soybean oil, Indonesia's past copra and palm oil exports necessitate its acceptance of limitations on exports those commodities. Draft note contains language for overall limitation based on record of past exports. Within those limitations exports to bloc countries should be limited to the lowest point negotiable but in no event should permitted exports to bloc countries exceed last year's exports. Sale of rice ~~is~~ subject to usual marketing requirement of 650,000 MT per year established in basic agreement.

You should attempt again to insert Section 104(s) as an approved US currency use. This subsection authorizes sales of currencies for dollars to American tourists as President may direct. If GOI raises serious objection to inclusion, report objections to Department and await further instructions.

FORM 4-62 DS-323

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Drafted by: FAS:ARollefson/FD:GCPetrow/SPA:ELH/asmh:11/7/62

Contents and Classification Approved by: E - Philip H. Trazise

Cleanances: FAS - Mr. Street, FE/P - Mr. Gregory, SEA - Mr. Wright, CU - Mr. Wyman, OR - Mr. Brodie

DJAKARTA-A-70

611.9841/11-2-62

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Authority NND 949629  
By Lat NARA Date 8/11/00

A-70, Djakarta

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- 2 -

You should also obtain GOI agreement to conversion additional \$750,000 worth rupiah for 104(h) purposes and to provision that small part of currencies converted for 104(h) be available for use in cultural programs with other countries and that such currencies used in connection with program with Indonesia be available for other expenses besides travel expenses.

Following is draft note for purpose amendment (unnecessary words omitted). If note acceptable GOI without change, Embassy should request authorization to exchange notes giving proposed date and hour of scheduled exchange. At least 72 hours' advance notice, not counting holidays and weekends, is needed.

USG desires that, at time of conclusion this substantial augmentation of arrangements to provide food and fiber to Indonesia as it turns to peaceful tasks of economic development, suitable and full publicity should attend.

"Excellency:

"Have honor refer Agricultural Commodities Agreement entered into by our two Governments February 19, 1962, as amended, and to propose that the Agreement be further amended as follows:

"In commodity table in Article I, increase rice export market value to \$44.3 million; add vegetable oil, export market value \$13 million; increase amount of ocean transportation to \$11.2 million and total to \$129.8 million.

"In numbered paragraph 1 of Article II, substitute '(s)' for '(r)'.

"Delete second paragraph, beginning 'For purposes of section 104(h)', of numbered section 1 of note relative to conversion of rupiahs and substitute following: 'For purposes of Subsection 104(h) of Act and for purposes of Mutual Educational and Cultural Exchange Act of 1961, Government of Indonesia will provide, upon request of Government of United States America, facilities for conversion into other non-dollar currencies of up to \$1,250,000 worth of rupiah. Up to \$1,100,000 worth of such currencies will be utilized to pay non-rupiah ~~expenses~~ ~~of up to \$1,100,000 worth of such currencies~~ expenses, including travel expenses, of educational and cultural exchange program with Indonesia; \$150,000 worth of such currencies will be used to finance educational and cultural programs and activities in other countries. Not more than \$250,000 of this amount will be available for use in 1962, not more than \$500,000 in 1963, and unused balance of \$1,250,000 will be available for use in 1964.'

"Also have honor state following understanding of Government of United States America concerning export of copra and palm oil by Government Indonesia: Government of Indonesia will limit its exports copra and palm oil during period in which vegetable oil provided by this amendment procured and utilized. Such limitation will be 110,000 metric tons copra and 110,000 metric tons palm oil during United States Fiscal Year 1963. Within this overall limitation and during this period, Government Indonesia will limit its exports these commodities to countries unfriendly to United States America ~~to~~ ~~the~~ metric tons copra and ~~the~~ metric tons palm oil. (Figures to be supplied by Embassy.)

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"If foregoing acceptable Your Excellency's Government, have honor propose that this note together with Your Excellency's affirmative reply shall constitute agreement between our two Governments to enter into force on date Your Excellency's reply.

"Accept, Excellency, renewed assurances my highest consideration."

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Action

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Rec'd: NOVEMBER 15, 1962

10:22 PM

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FROM: DJAKARTA - CORRECTED COPY

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TO: Secretary of State

NO: 816, NOVEMBER 16, 10 AM

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PRIORITY

A-70

RMR

EMBASSY ANTICIPATES DEEP DISAPPOINTMENT BY GOI ON RECEIPT ONLY HALF OF RICE THEY INFORMED BY CONSULTING COUNTRIES FORTHCOMING. CURRENT FINANCIAL SITUATION ACCENTUATES NEED FOR TITLE I, PL 480 FINANCING. USG NOW HAS OPPORTUNITY TO GIVE CONCRETE ASSISTANCE IN FORM VITALLY NEEDED COMMODITY AT MOST CRITICAL TIME. OUR RESPONSE THEIR REQUEST 250,000 TONS WITH 75,000 TONS SEEMS CONTRARY OUR EXPRESSED WILLINGNESS HELP GOI MEET CURRENT SEVERE SHORTAGES. OFFERING 75,000 TONS NOW WITH ADDITIONAL IN NEAR FUTURE GREATLY REDUCES IMPACT, AND OUR POSTURE AS SYMPATHETIC AND ANXIOUS ASSIST GOI.

CURRENT SITUATION WARRANTS BEGIN NEGOTIATIONS ON BASIS REF AIRGRAM BUT EMB STRONGLY URGES INCREASE RICE COMPONENT TO 150,000 TONS FOR INCLUSION THESE NEGOTIATIONS.

E MESSAGE CENTER  
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NOV 17 1962

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NOV 17 1962

DJAKARTA 816

614.9841/11-1662

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By *Lat* NARA Date 8/11/00

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Department of State

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TO: Secretary of State

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A-70

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CURRENT SITUATION WARRANTS BEGIN NEGOTIATIONS ON BASIS REF AIRGRAM BUT EMB STRONGLY URGES INCREASE RICE COMPONENT TO 150,000 TONS FOR INCLUSION THESE NEGOTIATIONS.

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\* AS RECEIVED. CORRECTION TO FOLLOW.

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By [signature] NARA Date 8/11/00

FW 611. 7841/11-16-62

# OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT  
☐ CHARGE TO

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DEC 20 10 45 PM '62

Origin

SENT TO: Ambassador JAKARTA

Info

Ref: A-70, Deptel 542, Embtel 844

In view increased selling price of soybean oil, export market value should be changed to \$13.8 million which together with \$1.4 million for O.T. makes total new amending agreement value \$15.2 million.

Note that transportation cost is considerably less than indicated in A-70. O.T. is now estimated on basis \$50 per long ton which now appears to be contract rate that can be negotiated. GOI could probably negotiate a still lower rate with the transportation lines, not only for the portion financed by PL 480 but also for the portion of OT financed by GOI, thereby reducing amount foreign exchange required.

Export limitations copra and palm oil naturally less than 1961 exports because less supposedly available. Proposed limitation is for FY 1963 and is based on estimate of Indonesia's exports during U.S. fiscal 1963 cited in your 570. FYI our purpose in getting this estimate from you was to see if export limitations could be set at level which would be low enough to justify our position that PL 480 oil would not permit expansion copra and palm oil exports and at same time be high enough to be acceptable to GOI. We understand problem possible transshipment to unfriendly destinations. So far as diversions concerned we realize restrictions on exports to Bloc can apply only to shipments of which GOI has knowledge.

1

1965 DEC 20 10 00

Prepared by: A.W. Hollerston: ABDA:FAS  
C. Petrow: OR:FD/State 12/19/62

Telegraphic transmission and classification approved by:

DCT/EKNewton/VJM-GNO  
AGRIC:CRDonovan

Clearances: D.L. Hume: ABDA:FAS  
E.E. Street: USDA:FAS

K. Martindale: SPA:State  
K. Malmberg: L/E:State

K. Bitterman: AID  
D.S. Burgess: AID

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OK'd by Mr. Petrow (FD). VJM

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By lat NARA Date 8/11/00

Page 2 of telegram to Amembassy DJAKARTA

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We assume you satisfied. However, 'GOI does not encourage such diversion and in fact takes active steps to prevent them. End FYI.

Definition of unfriendly countries is as stated Section 107 PL 480 which defines "friendly nation" as any country other than U.S.S.R., or any nation or area dominated or controlled by foreign governments or foreign organizations controlling world communist movement. In practice this definition includes all countries in Sino-Soviet Bloc except Poland and excludes Yugoslavia.

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Action  
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Control: 8168  
Rec'd: November 21, 1926  
9:52 P. M.Info  
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FROM: Djakarta

TO: Secretary of State

NO: 843, November 21, 4 p. m.

Embassy telegram 816

GOI DISAPPOINTMENT AS KEEN AS FORECAST. WITH ANNOUNCEMENT OF INCREASED RICE SHIPMENTS TO INDIA COMING ON HEELS OF NEWS OF REDUCTION, INDOS OF COURSE BELIEVE THAT THEY HAVE BEEN CUT BACK IN FAVOR OF INDIA, WITH WHICH COUNTRY RELATIONS EXCEEDINGLY COOL AT PRESENT.

IF WE INTEND PERMIT INDOS HAVE ADDITIONAL 75,000 TONS OF RICE AT SOME FUTURE DATE, EMBASSY STRONGLY URGES THAT THEY BE INFORMED AT ONCE AND THAT PROCUREMENT BE NO LONGER DELAYED. IF WE ACT IMMEDIATELY WE CAN GAIN FULL POLITICAL EFFECT OF ACCEDING TO URGENT REQUEST WHILE DISCOURAGING FURTHER REQUESTS FOR THIS YEAR. IF WE DEFER, HOWEVER, WE CAN ACHIEVE NO POLITICAL BENEFIT BY PROVIDING RICE AT TIME WHEN CRISIS HAS BEEN WEATHERED BY SOME MEANS OR OTHER, PARTICULARLY SINCE INDOS WILL BE WELL AWARE FROM OFFER TO INDIA THAT WE COULD HAVE GIVEN THE FULL 150,000 TONS IN FIRST PLACE.

ON A PREVIOUS OCCASION WHEN US UNABLE OR UNWILLING HELP GOI OVER TIGHT SPOT IN RICE SUPPLY, INDOS TURNED TO COMMUNIST CHINA WHICH RESPONDED IMMEDIATELY, FULSOMELY. EFFECT OF THIS WAS TO REDUCE TENSIONS BETWEEN TWO COUNTRIES THAT HAD BEEN WORKING IN OUR FAVOR.

APART FROM EXTERNAL POLITICAL EFFECTS, A RICE SHORTAGE IN THE NEXT FEW MONTHS WILL COINCIDE WITH THE DEVELOPING PKI OFFENSIVE ON THE ECONOMIC FRONT, GIVING THEM AMMUNITION NEEDLESSLY AND WEAKENING THE POSITION OF PRO-WESTERN FACTIONS.

JONES

MGG/3

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Control: 8789  
Rec'd: NOVEMBER 25, 1962  
1:40 A.M.

FROM: DJAKARTA

TO: Secretary of State

NO: 844, NOVEMBER 21, 5 P.M.

DEPT AIRGRAM A70 AND EMBTEL 843

AS FORSEEN DEPT FOR AFF OFFICIALS URGENTLY REQUEST RECONSIDERATION QUANTITY RICE WITH INCREASE TO 150,000 MT. DEPT HAS REQUESTED EMB/WASH MAKE STRONG REPRESENTATIONS RE INCREASE.

OFFICIAL REQUEST:

- 1) A SEPARATE RICE AMENDMENT AS TOO MANY CLEARANCES AND CONSULTATIONS ON SOYBEAN OIL AND CANNOT DELAY RICE. WHICH NEEDED ON URGENT BASIS;
- 2) DELETE SECTION (S). UNTENABLE AS COUNTER GOI REGULATIONS AND TOURIST POLICY WHICH AIMED GENERATE FOREIGN EXCHANGE;
- 3) OMIT INCREASE IN SECTION (H). IN VIEW CURRENT FOREIGN EXCHANGE POSITION FORSEE GREAT DIFFICULTY MEETING \$100,000 FOR 1961 AND \$200,000 FOR 1963 CONVERTIBILITIES NOW CONTAINED BASIC AGREEMENT. PREVIOUS AMENDMENTS HAD NO INCREASE IN CONVERTIBILITY FOR SECTION (H). WHY NOW WHEN FOREIGN EXCHANGE POSITION DETERIORATED? REALIZE MUST TAKE 2 PERCENT OF AMENDMENT UNDER SECTION (A) BUT THIS SECTION (H) INCREASE SEEMS DISPROPORTIONATELY HIGH. PERHAPS IF INCREASE IN SECTION (H) PROPORTIONATE TO INCREASE IN VALUE RICE TO TOTAL VALUE BASIC AGREEMENT THEN MIGHT BE ACCEPTABLE. PLEASE FORWARD ACCEPTABLE CHANGES IN DRAFT NOTE IN VIEW ONLY RICE INCLUDED.

OFFICIALS CONTINUING CLEARANCES AND CONSULTATIONS SOYBEAN OIL. THEIR PRELIMINARY COMMENTS INCLUDE:

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ACTION ASSIGNED TO: SPALE	ACTION TAKEN: 542
NAME OF OFFICER: STA/E:Kalm	DATE OF ACTION: 11/28/62
OFFICE SYMBOL:	DIRECTIONS TO RM/R: File

DJAKARTA 844 611.9841/11-2162

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By Lat NARA Date 8/11/00

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-2- 844, NOVEMBER 21, 5 P.M. FROM: DJAKARTA

- 1) EXPORT LIMITATION OF 110,000 MT FOR COPRA FAR TOO LOW. OFFICIALLY REPORT EXPORTS 238,503 TONS IN 1961;
- 2) ASK FOR SPECIFIC DEFINITION OF UNFRIENDLY COUNTRIES. POINT OUT LACK OF CONTROL ON DIVERSIONS AND TRANSSHIPMENTS WHEN CARGO CLEARED INDO PORTS. ALSO, AS COPRA AND PALM OIL NOT CONSIDERED STRATEGIC COMMODITIES IF ECM NOT AVAILABLE DUE PREFERENTIAL TARIFFS, THEN WHO WILL BUY COPRA AND PALM OIL? SEEMS BLOC LIKELY CUSTOMERS; 3) ITEMS (2) AND (3) UNDER RICE APPLICABLE SOYBEAN AMENDMENT;
- 4) OFFICIALS STILL HAVING DIFFICULT TIME OBTAINING FOREIGN EXCHANGE COVER HALF THE FREIGHT ON SOYBEAN OIL. REF. DEPTTEL 522. PETERSON MADE DEPT POSITION ABUNDANTLY CLEAR TO PONSEN, SPEC ASST TO SUBANDRIO SO APPROACH TO GOI ON HIGHER LEVEL THIS POINT (AS SUGGESTED REFTTEL) BELIEVED UNNECESSARY THIS POINT.

JONES

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NOTE: MESSAGE DELAYED IN TRANSMISSION.

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# OUTGOING TELEGRAM Department of State

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Nov 28 5 27 PM '62

Origin  
Info:

ACTION: Amembassy JAKARTA

Your 576, 711, 816, 843, 844. On basis of developments in and further review of international situation and in consideration Indonesia's needs, we can now add 75,000 MT rice (export market value \$12 million; CCC value \$15.1 million; ocean transportation \$1 million) to our offer for procurement by March 1, 1963. Also pursuant your 844 we shall delete cotton seed/soybean provisions from this amendment. Therefore, you authorized change draft note transmitted A-70 as follows:

1. In paragraph 2, change rice export market value to \$56.3 million, delete words "add vegetable oil, export value \$13 million;", change ocean transportation to \$9.6 million, and change total to \$127.2 million.

2. Delete fifth paragraph regarding copra and palm oil exports.

Cannot agree to completely omitting increase in 104(h) convertibility.

Your proposal that increase be in same ratio to value of amendment as original amount for 104(h) to value of original agreement acceptable. This would represent increase of about \$150,000 instead of \$750,000. In fourth paragraph draft note transmitted A-70, change \$1,250,000 to \$650,000; \$1,100,000 to \$500,000; \$250,000 to \$200,000; \$500,000 to \$200,000; and \$1,250,000 to \$650,000. You should inform GOI that, in any future new agreements (as

distinguished

RECEIVED BY 11/28/62

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Drafted by: FAS:ARollison  
OR:FD:CGPetro: 11/28/62

Telegraphic transmission and classification approved by: E - G. Griffith Johnson

Clearances: FAS - Mr. Street  
SPA - Mr. Jarvis  
SEA - Mr. Wright  
TRSY - Mr. Hannay  
OR - Mr. Brodie

BOB - Mr. Fox  
L/E - Mr. Bilder  
L/T - Mrs. Bradford  
CU - Mr. Nelson  
AID - Miss Baker

ENIG  
AID - Mrs. Bittermann  
FD - Mrs. Gabbart

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FORM 5-61 DS-322

JAKARTA 542

611.9841/11-2162

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Page 2 of telegram to Amembassy DJAKARTA

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[distinguished from amendments to February 19, 1962, agreement), we shall expect larger proportion sales proceeds for 104(h) convertibility than in 1962 agreement.

If you satisfied inclusion 104(s) would constitute serious obstacle to conclusion agreement, you may withdraw it. Report your decision.

When informing GOI of increase of rice offer to 150,000 MT, you should make clear this offer subject to GOI compliance usual marketing requirement of 650,000 MT per year established in Agreement of February 19, 1962. We cannot authorize reduction this requirement.

Re Embtel 576, you should state not possible say anything at this time about prospects for supplying GOI additional rice under Title I before end March, 1963. Re Deptel 711, before considering whether additional rice could be made available to GOI at this time under Title IV, we would need detailed statement Embassy's views on advisability Indonesia's increasing its dollar debt burden at this critical juncture its economic and financial affairs. (Title IV provides for sale for dollars on credit with maximum repayment period of 20 years and interest rates as low as 3/4 of one percent per annum and no higher than cost of funds to US Treasury, currently about 4 percent. Repayment period and interest rate are determined by NAC on country-by country basis.)

Separate message follows on questions raised Embtels 704, 852, 853, 854. Forward soonest report on further developments consultations GOI officials soybean oil. meantime we shall forward separate draft note on oil.

End.

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